Note regarding draft status for this Financial Strategy

This strategy underpins the proposed 10-Year Plan recommended by Council. Although still subject to change by both public feedback and Council, this Strategy has been written as if the proposed policy changes and draft budget are accepted. Following consultation with the public on the key issues of our draft 10-Year Plan, any changes in policy may need to be reflected in an updated Financial Strategy.

Introduction

The financial strategy outlines the Council's overall approach to managing its finances. It's a central component of Council's 10-Year Plan document. The financial strategy sets our limits on rates increases and debt, illustrates the overall financial implications of decisions made in the 10-Year Plan and is key in demonstrating prudent financial management.

Over the next 10 years, it will cost $1.27 billion to grow and run our district. That's a huge investment of ratepayer dollars so it's important this money is spent in the context of a well-considered financial strategy.

Waipa District Council is in a very good financial position. Our draft 10-Year Plan proposes an average annual rates increase of 2.23 per cent over the next 10 years, including water meter charges which will be charged separately. Excluding water meter charges the average annual rate increase is forecast at 1.53 per cent, over the next 10 years.

Our rates increases are maintained within a limit of the Local Government Cost Index (local government inflation measure) plus 2 per cent, which Council considers to be a reasonable and affordable limit. We also limit rates to a maximum of 65 per cent of our total revenue.

Balanced Budget

Council is projecting significant surpluses though out the ten years of the LTP, the majority of these surpluses are attributed to Developer Contributions and Vested Assets. The Developer Contributions are collected for investment in new or expansion of infrastructure and pay the interest on debt raised to fund these growth projects.

One of the prudence measures Council has is the Balanced Budget Benchmark, this benchmark checks that each year's projected operational revenue is set at a level to meet that year's operational expenditure. From Council's significant surpluses, the revenue directly relating to capital (Developer Contributions and

Vested Assets) has to be deducted to determine our operational result. In years 2 to 10 of our draft 10 - Year Plan we are projecting operational deficits. The majority of the deficit is due to the interest costs of our growth projects, the interest cost is an operational expense that is funded from Developer Contributions.

We are planning to use our operational reserves (revenue retained from previous years) to fund expenditure in years 2 to 10.

Growth

Waipa is growing faster than ever before. By 2050 we're expecting an additional 25,000 people in Waipa. This will take our total population to nearly 75,000.

Over the next 10 years, Cambridge is expected to grow by approximately 7,000 people taking the population to 23,000. Te Awamutu is forecast to grow by about 2,700, taking the population to 13,500.

Some of the cornerstone projects included in the 10-Year Plan to unlock future growth are:

a) Te Awamutu Water Supply Pipeline $25.9m

b) Cambridge Wastewater Treatment Plant $27.4m

c) Cambridge development in C1, C2 & C3 growth cells $103.6m

- Including stormwater provision of $68.0m

The Infrastructure strategy details a full list of capital projects.

Growth pays for growth

A key challenge in our 10-Year Plan 2018-28 is providing a resilient infrastructure that meets the needs of our fast-growing district while keeping rates affordable. Our infrastructure needs to meet the service level expectations of our ratepayers and other stakeholders and the higher demands of the environmental standards set by regulatory agencies.

As well as this, we need to make sure all of the other quality services Council provides continue to be delivered at the level our residents and ratepayers expect, and enjoy – while ensuring the rates impact is contained.

Council will be taking on substantially more debt to fund growth. Catering for growth is required by the National Policy Statement on Urban Development Capacity. Council will help to ensure rates remain affordable and within our limits by ensuring ‘growth pays for growth’. A change in our Development Contributions Policy means developers will be charged for the interest cost of new infrastructure development debt, not just the principal cost. Prior to this change, ratepayers covered the interest costs.

Service level improvements and Renewals

Growth however, is just one part of the story. Huge investment is required in service level improvements to ensure the resilience of existing infrastructure and the achievement of tougher environmental standards. There is also an ongoing need for continued investment in renewals.

The table below indicates the nature and extent of our proposed capital spend over the course of the 10-Year Plan:

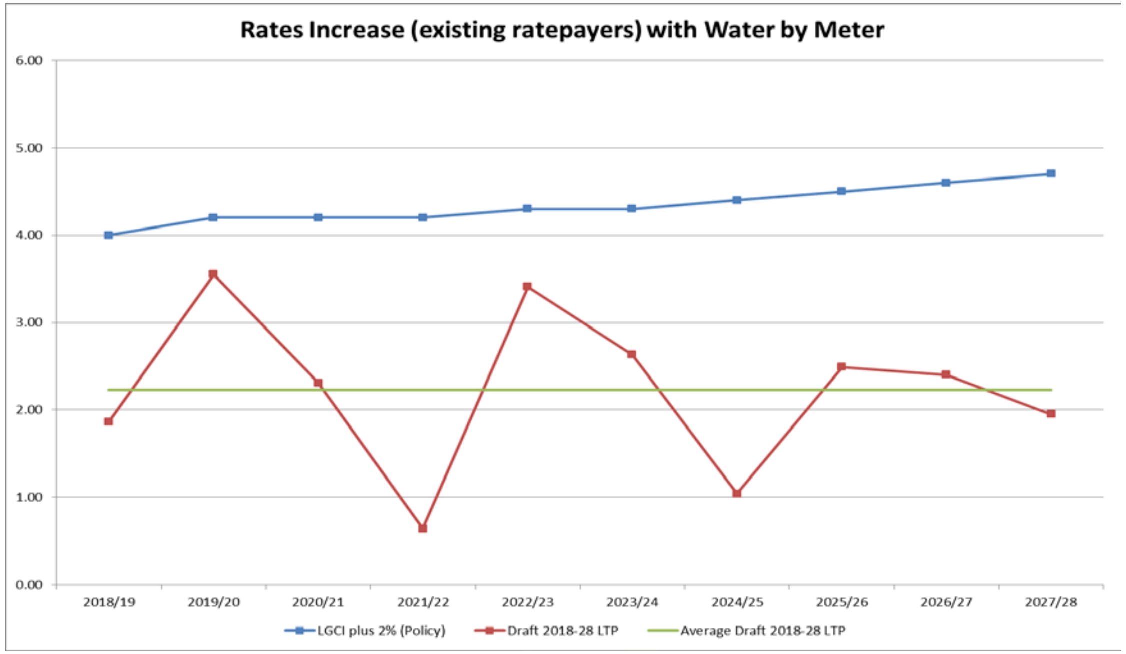
	Growth $000s	Improve service level $000s	Renewals $000s
Water treatment and supply	27,086	43,242	37,208
Stormwater	91,648	813	8,541
Wastewater treatment and disposal	32,368	28,792	18,573
Roads and footpaths	34,188	64,362	71,311
Other	6,724	82,990	19,802
Total	**192,014**	**220,199**	**155,435**

Rates

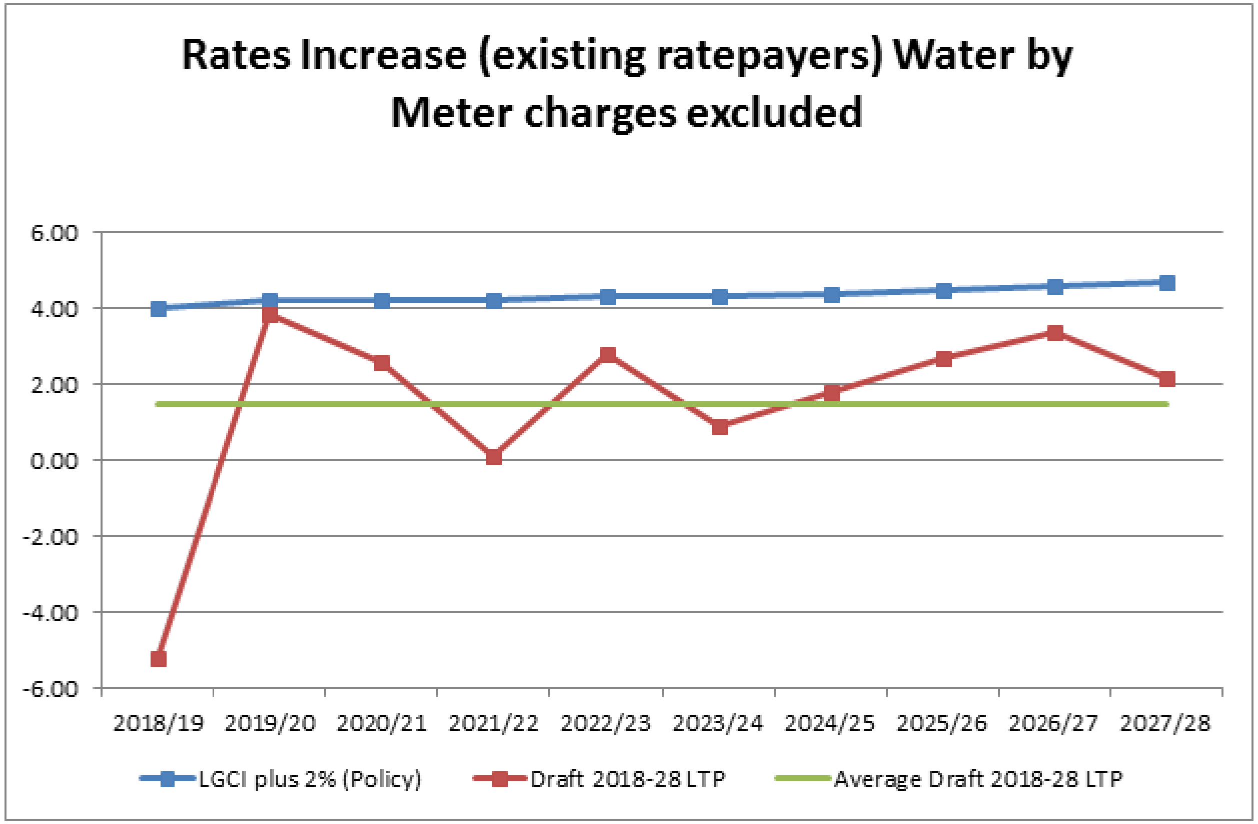
Our average rates increase over the 10 years is 2.23% annually.

This includes the water by meter charges which are being introduced to all residential water consumers from 1 July 2018. Although billed by separate invoice outside the rates system water charges remain in terms of the legislative definition, a rate. The annual increases for rates including water charges across the ten years range between 0.64% and 3.55%.

All of the proposed rate increases are within Council's policy limit of the Local Government Cost Index plus 2%, as demonstrated in the graph below:



If the water by meter charges are removed from the total rates figures, the average increase is 1.5 per cent and the changes in average rates range from a decrease of 5.23 per cent to an increase of 3.85 per cent. The 5.23 per cent decrease is the result of the water charge shifting from the rates invoice to a separate bill for all residential properties. This is shown in the graph below:



Setting limits on rates is a key part of ensuring financial sustainability. As well as setting limits on the level of annual rate increase we also set limits on the proportion of our income that comes from rates. This provides a focus on maximising revenue from non-rate sources and ensuring rates are affordable. We are committed to limiting rate levels to a maximum of 65 per cent of our total revenue.

Debt

Council's debt is expected to be $20 million on 1 July 2018. This is a modest level of debt for a Council of Waipa's size and is set to rise substantially over the first seven years of the 10-Year Plan to peak at $194 million. A significant contributor to the increase in debt is the need for infrastructure to provide for growth. The National Policy Statement for Urban Development Capacity requires high-growth Councils to have adequate land provision to accommodate development. By extension Council must then provide infrastructure to enable this development to occur.

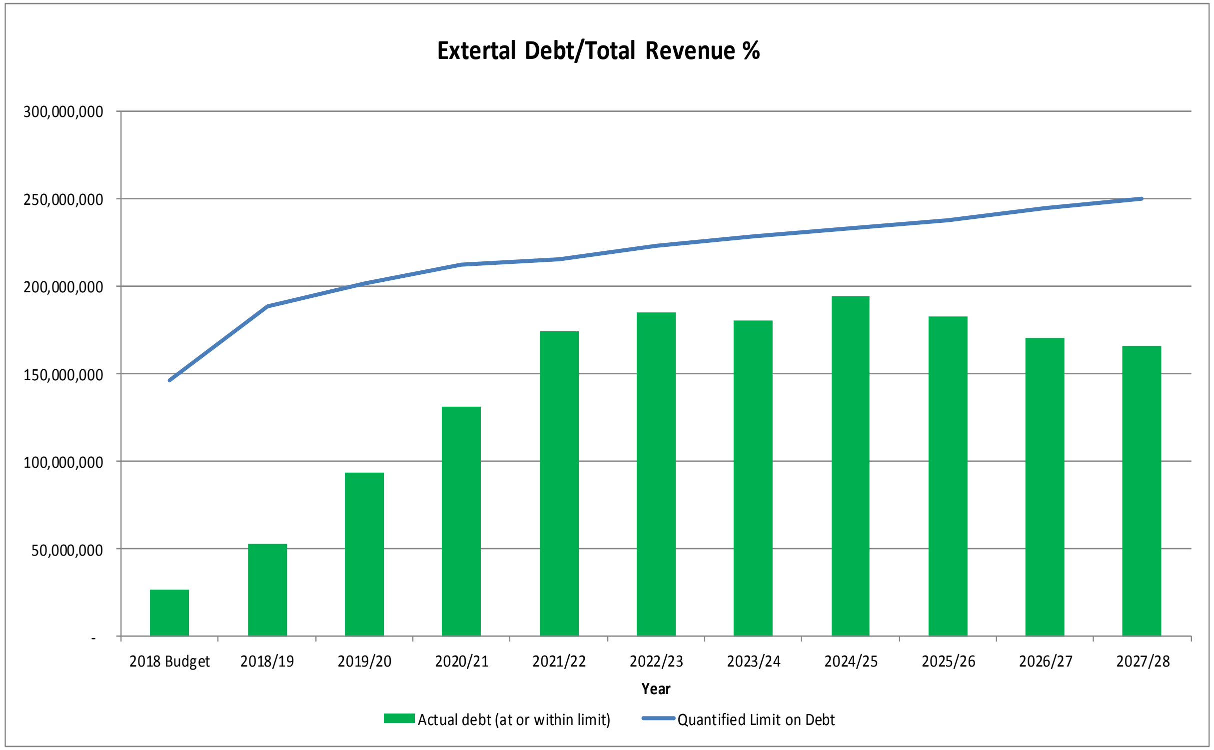
We have changed the way we manage debt. We will achieve this by introducing longer terms of borrowing. This is already provided for in our treasury policies, but never taken advantage of. We are also proposing to shift from our current equal principal repayment model to a table mortgage approach.

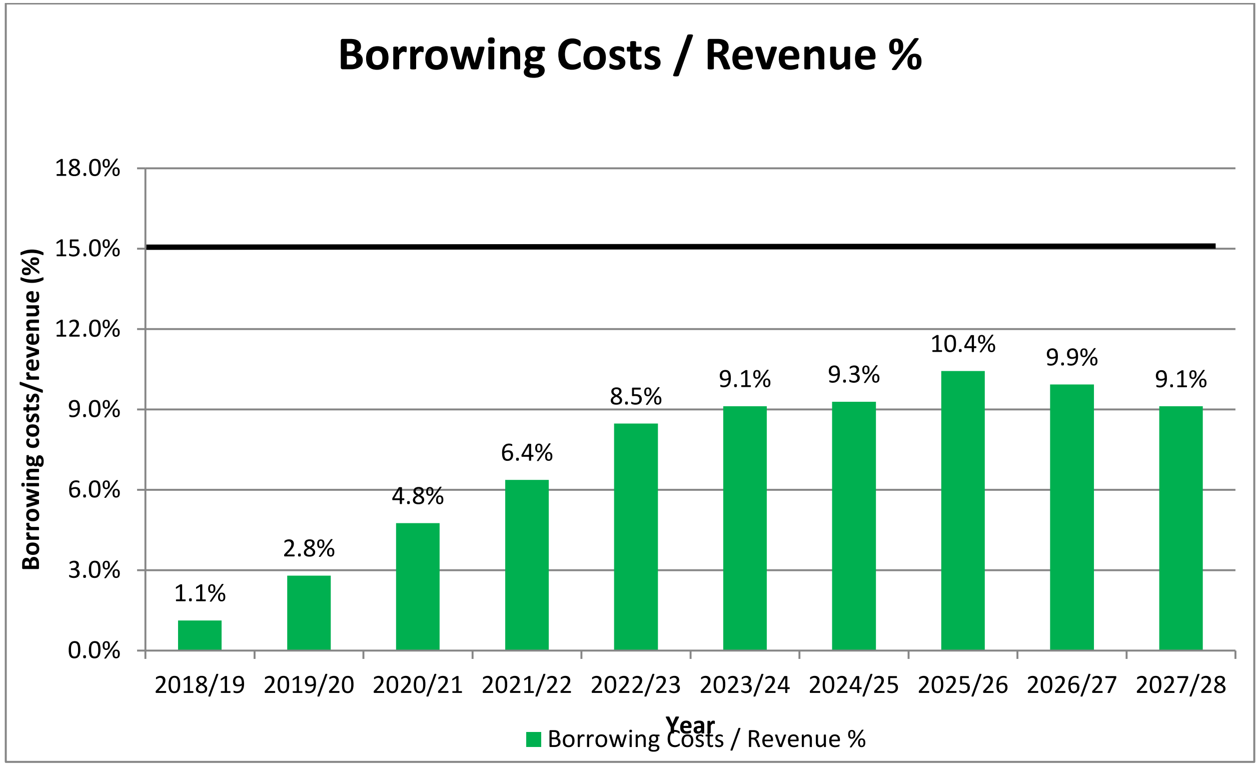
The impact of these changes is to reduce the level of cash required for debt repayment over the course of this 10 Year Plan, increasing the total cost of debt servicing over the longer term. This approach is deemed to better share the cost burden of long term assets across generations that benefit from the asset. The approach also takes better advantage of inflation to erode the debt.

Council has determined that our net external debt limit is prudently set at 175 per cent of total revenue, and the gross interest expense on external debt for the year is required to equal or be less than 15 per cent of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, and equipment).

Development-driven debt is paid down as the Development Contributions are received. The debt profile for level of service debt has lengthened as we now push the standard financing arrangements out from 20 years to 30 years. This, together with the shift from an equal principal to a table mortgage financing approach also increases the amount of debt outstanding in the earlier years of the 10 Year Plan while minimising the level of rates required.

The graphs below show the anticipated results against the limits as set out in the 10-Year Plan:





Asset Sales

Council continues to progress the sale of surplus assets in order to fund capital projects. Council has included a total of $6.7 million of projected asset sales across years 1 to 7 of the 10-Year Plan 2018 – 2028. The projects funded from these sales may be delayed or alternate interim funding might have to be sourced if there are delays in the timing of achieving these sales.

Security for borrowing

Borrowing is secured by a charge over rates by way of debenture trust deed. Generally assets are not offered as security for any loan or performance of any obligation under an incidental arrangement.

Investments

Our investment policy sets out the detail of the type of investments Council currently holds, and our objectives and risk management strategies related to holding these investments. Our approach to managing our investments is set out in our Treasury Management Policy.

Council is a shareholder in Waikato Regional Airport Limited, the New Zealand Local Government Funding Agency Limited and Local Authority Shared Services Limited. We also hold a small interest in Civic Financial Services Limited.

Other than to achieve strategic objectives, it is not our intention to undertake new equity investments. We will periodically review investments with a view to exiting at a time when market conditions are favourable and overall strategic objectives are not compromised.

Any dividend income from investments is generally included as part of general revenue.

Any purchase or disposal of equity investments not identified in this Plan is by Council resolution.

At the time of disposal, we will determine the most appropriate use of sale proceeds.

Continuation of district-wide funding rating transition process

Council is proposing to continue with the transition in its district-wide funding rating approach to:

a) A uniform annual general charge (UAGC) applied on a separately used or inhabited part of a rating unit (SUIP) basis.

b) A reduction in the value of the targeted ward rate, which is applied on a per rating unit basis, until it is no longer an element of the district-wide funding.

c) c) An increase in the proportion of the capital value rates within the district-wide funding.

This change in rating approach is being transitioned in over a six year period, which started in 2015 - 2016.

The UAGC for the next three years is proposed to be:

- 2018/19: $606
- 2019/20: $708

- 2020/21: $790.

The percentage of the District-Wide rate to be set on a capital value basis is proposed to increase by 0.8 per cent per year for the next three years.

The proposed position in Year 3 of the 10-Year Plan, which is the end of the transition period, is a district-wide funding structure as follows:

a) a) A UAGC of $790;

b) b) No targeted ward rate as part of the district-wide funding; and

c) c) A capital value rate comprising 58.6% of the district-wide funding requirement.

Managing financial risk

In developing this Financial Strategy Council considered how we would respond if unexpected circumstances had significant impact on our financial situation.

Lower than expected growth

One risk is lower than expected growth. This will result in a shortfall in development contributions and a potential situation in which we have prematurely invested in infrastructure for growth that does not actually occur.

We have been conservative in our approach to this strategy and to the draft 10-Year Plan. We have ensured that if in fact growth does not meet expectations, there is a sufficient buffer. Even with significant changes to predicted growth, we will be in a good position to cover the interest cost on our debt for assets that have already been constructed.

To mitigate the risk further, we will review our capital work programmes annually, amending the scale and timing of projects in response to actual or anticipated changes in growth levels.

By designing and building some of our core infrastructure, such as water and wastewater treatment plant upgrades, on a modular basis, means we can spend on an incremental basis that reduces financial outlay and the risk of underutilised assets.

Higher than expected growth

Higher than expected growth places additional demands on Council to accelerate the delivery of capital project, this will be funded from increased or earlier development contribution revenue.

Higher than expected inflation or interest rates

If inflation and interest rates are higher than projected this will increase the overall cost of operational expenditure and capital projects. Again there is a prudent buffer in place which should allow the greater operational costs to be funded from increased rates, without unduly impacting on affordability. This will remain within the rate cap of LGCI plus 2 per cent. We also believe we will have sufficient capacity in our debt prudence limits to fund increased capital project costs.

The Assumptions section of the 10-Year Plan document contains further detail of the sensitivity of our financial projections to unanticipated circumstances.

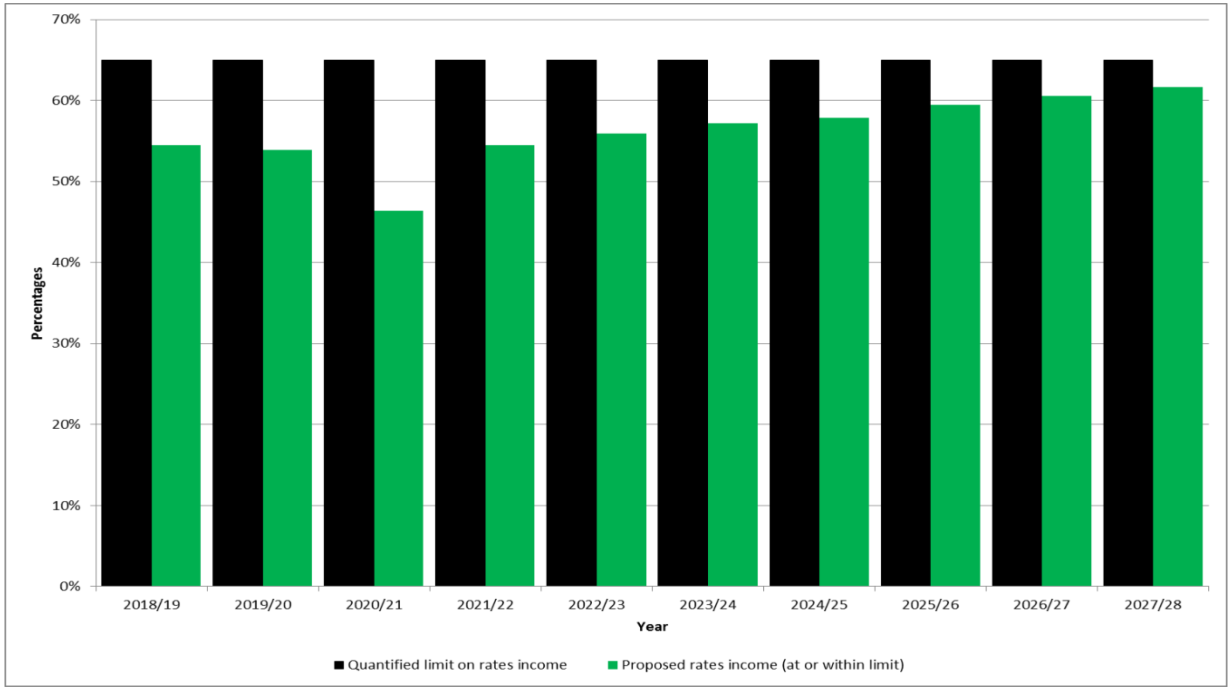
Rates affordability benchmark

The council meets the rates affordability benchmark if –

- Its planned rates income equals or is less than each quantified limit on rates; and
- Its planned rates increases equal or are less than each quantified limit on rates increase.

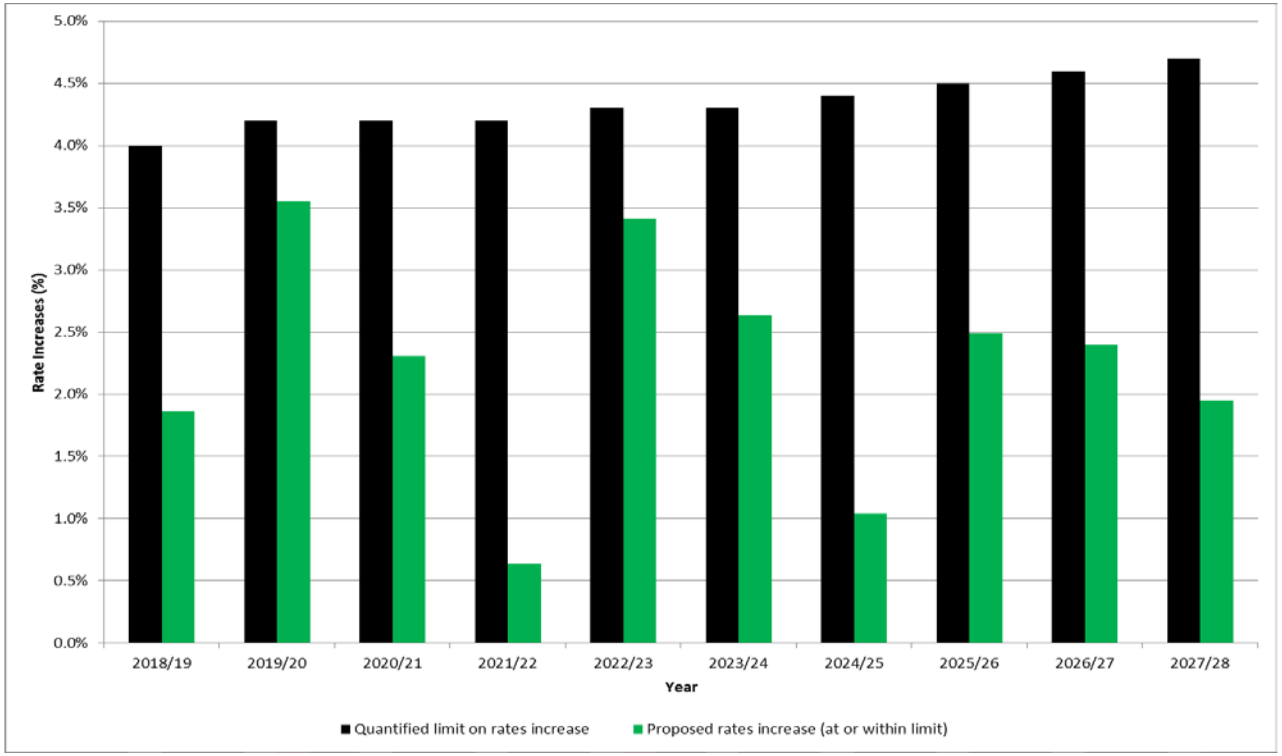
Rates (income) affordability

The following graph compares the council's planned rates with a quantified limit on rates contained in the financial strategy included in this long-term plan. The quantified limit is limiting rates levels to a maximum of 65% of our total revenue.



Rates (increases) affordability

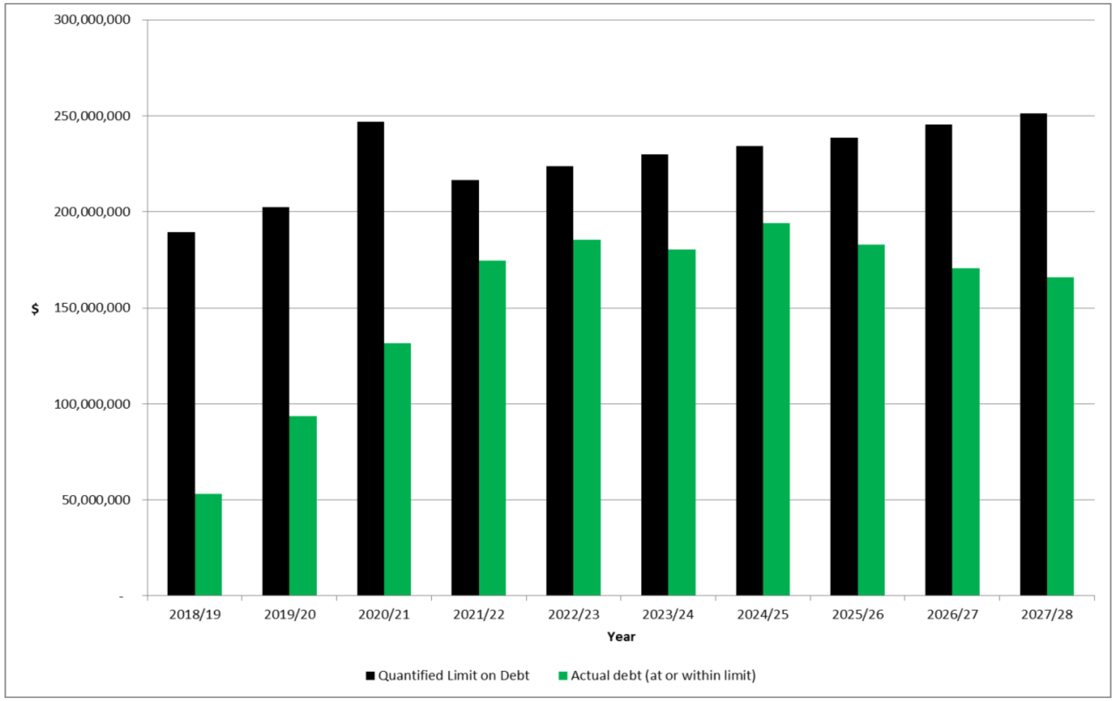
The following graph compares the council's planned rates increases with a quantified limit on rates increases contained in the financial strategy included in this long-term plan. The quantified limit is council will limit annual increases in the average rate requirement (after growth) to no more than the forecast Local Government Cost Index for that year plus 2%.



Debt affordability benchmark

The council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

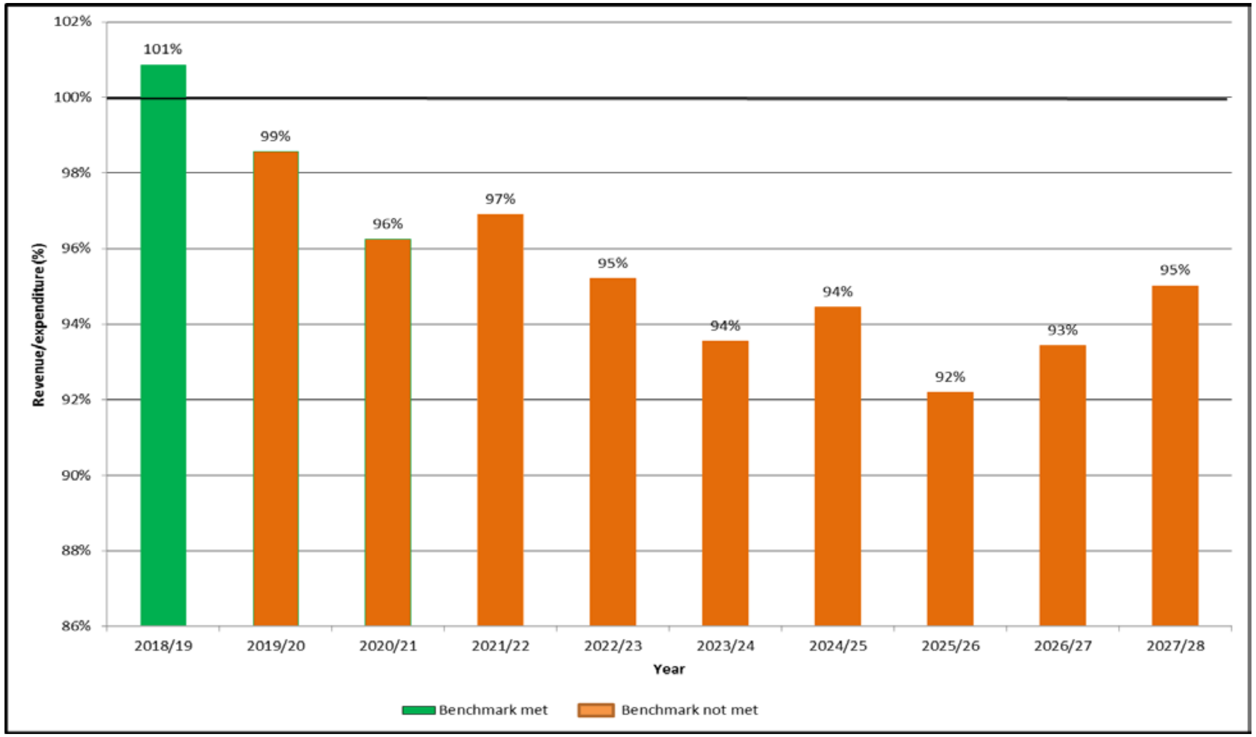
The following graph compares the council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan. The quantified limit is set at 175% of total revenue forecasted for each year of this plan.



Balanced budget benchmark

The following graph displays the council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, and equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, and equipment).

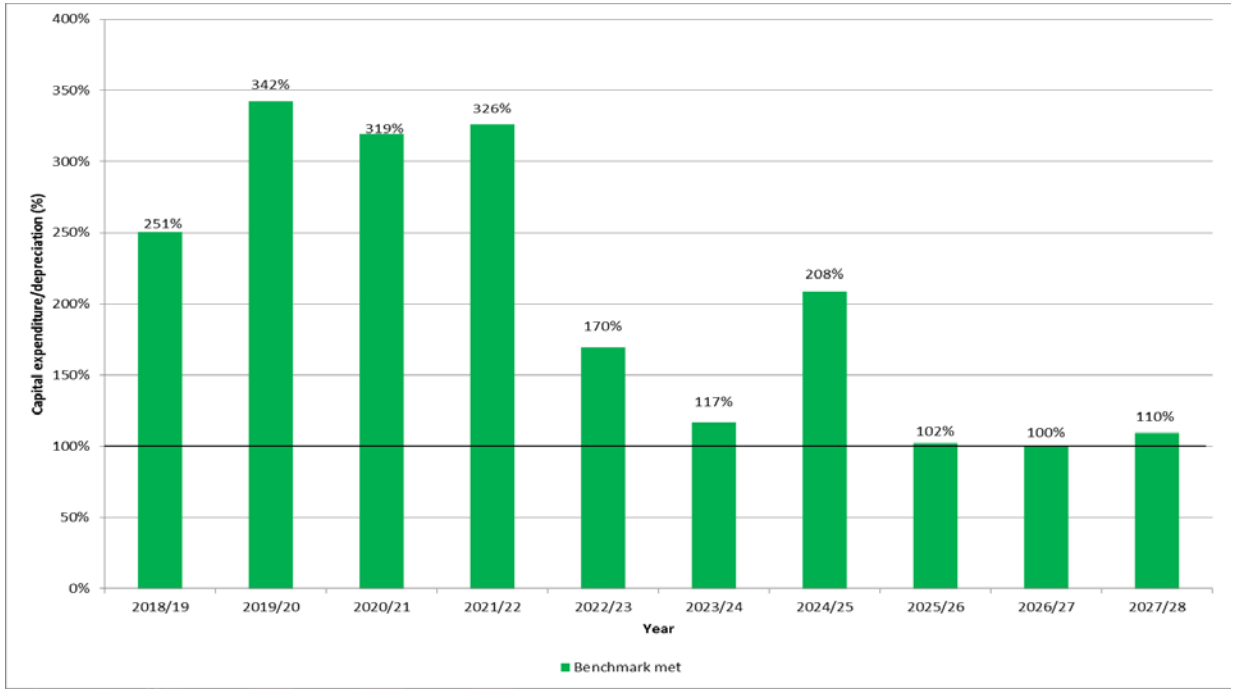
The council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.



Essential services benchmark

The following graph displays the council's planned capital expenditure on network services as a proportion of expected depreciation on network services.

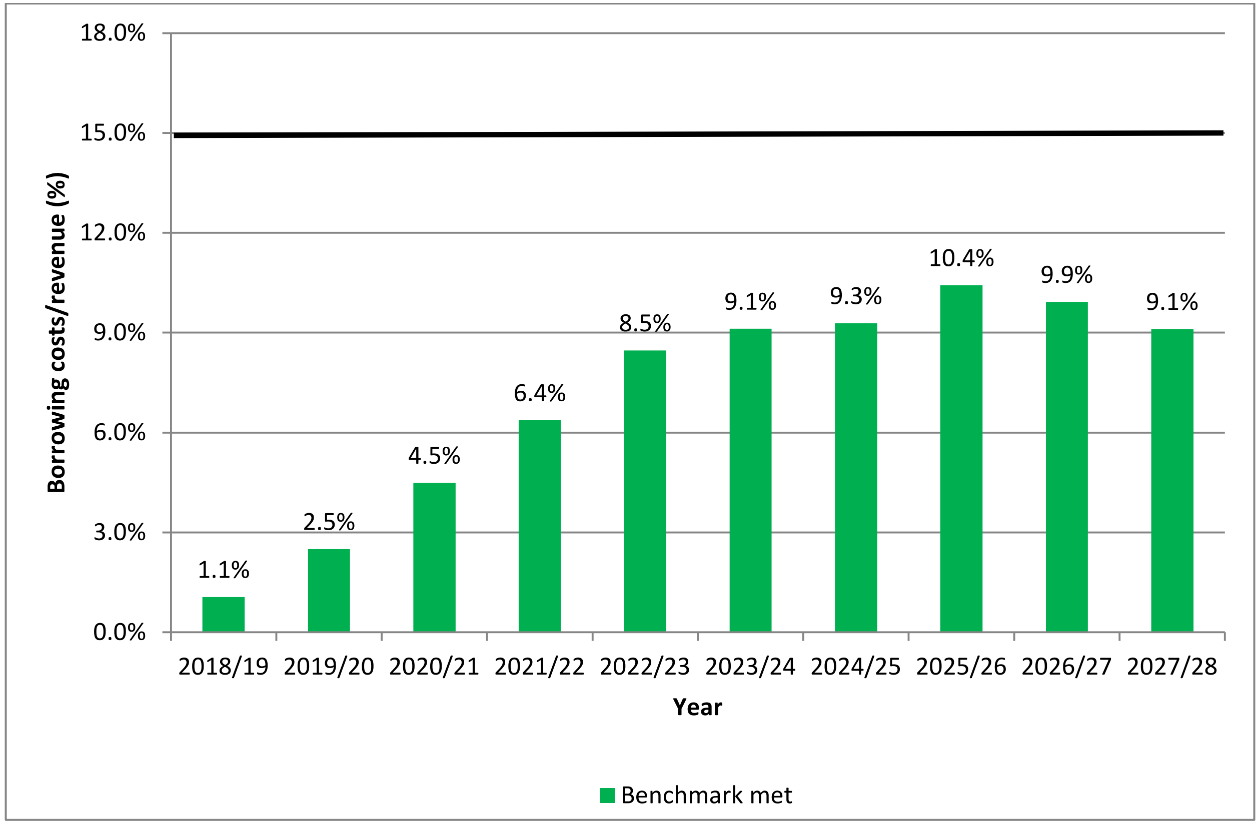
The council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



Debt servicing benchmark

The following graph displays the council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, and equipment).

Because Statistics New Zealand projects the council's population will grow faster than the national population is projected to grow, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 15% of its planned revenue.



Statement of prospective financial income

The financial information contained within this 10-Year Plan is prospective financial information which complies with the Financial Reporting Standard 42 (FRS). FRS42 sets the principles and specifies minimum disclosures for the preparation and presentation of general purpose prospective financial information. The purpose of this financial information is to enable the public to participate in the decision making process as to the services that we will provide over the financial years 2018-28, and to provide a broad accountability mechanism for Council to the community. The financial information may not be appropriate for purposes other than those described.

In relation to the FRS42, the financial year 2018/19 is considered to be a 'forecast year' and based on future events, which are expected to occur. The actual results achieved for the financial years 2018-28 are likely to vary from the information presented and may vary depending upon the circumstances that arise during the period.

The forecast financial information has been prepared in accordance with Council's current policies which comply with the New Zealand International Financial Reporting Standards.

We are responsible for the prospective financial statements, including the appropriateness of the underlying assumptions and all other required disclosures.

Funding of operating expenditure

Section 100 of the Local Government Act 2002 requires us to fund operating expenditure from operating revenue. The reasons for not fully funding selected operating expenses are detailed below:

Infrastructural assets

The value of assets written off as a result of the renewal of infrastructural assets is not funded in the current or future years. The following group of activities are affected:

Table 1: Infrastructural assets

Group of Activities	2018/19 ($000)
Roads and Footpaths	$1,000
Stormwater	$210
Water Treatment and Supply	$500
Wastewater Treatment and Disposal	$400

These estimates were based on trends relating to asset write-offs over the preceding three years.

Community services and facilities and support services

We do not fund depreciation on buildings and improvements where future renewals would be from community sources or through raising new debt. This type of facility is primarily community occupied, has a life in excess of 50 years and renewal would only occur if future generations so decided. The amount of depreciation not funded in 2018/19 is $1,289,000. We do not fully fund depreciation on computer software and hardware as Council is moving towards Cloud based software and leasing of hardware not funded in 2018/19 is $300,000.

Forestry

We have an investment in forestry and generate income from logging sales and expenditure to maintain and manage the forest. The income and expenditure do not necessarily match each year, with some years having high sales and other years no sales. To ensure that there is no flow on impact to ratepayers this activity will be managed through a reserve account which over a number of years should show a surplus.

Pensioner housing

We have an investment in residential housing and generate income from rent and expenditure to maintain and manage the properties. The income and expenditure do not necessarily match each year and to ensure that there is no flow on impact to ratepayers this activity is managed through a reserve account to ensure that any rents collected are used for the benefit of the property.

Operating surplus

Council's operating surplus is the result of income funding asset development, and various non-cash items such as revaluation gains, being included in the Statement of Comprehensive Revenue and Expense in line with accounting requirements. Council only sets rates and fees and charges income to the levels needed to meet its operating costs.

Table 2: Prospective statement of comprehensive revenue and expense

Any operating surpluses generally come from non-cash items, we budget for a general funds cash breakeven position. The Statement of Comprehensive Revenue and Expense also includes significant infrastructural revaluations which are also non-cash items.

	2017/18 Annual Plan $000	2018/19 Budget $000	2019/20 Budget $000	2020/21 Budget $000	2021/22 Budget $000	2022/23 Budget $000	2023/24 Budget $000	2024/25 Budget $000	2025/26 Budget $000	2026/27 Budget $000	2027/28 Budget $000
OPERATING INCOME											
Rates	53,384	59,023	62,391	65,401	67,417	71,499	75,046	77,530	81,166	84,952	88,489
Fees and charges	11,857	12,693	10,799	11,289	11,663	12,077	12,167	12,551	12,926	13,351	13,706
Reserve contributions	307	544	504	649	749	709	747	659	682	683	662
Development contributions	4,113	8,834	10,740	14,907	17,435	16,050	16,278	15,762	15,817	14,465	13,426
Gain on revaluation of investment properties & forestry	577	358	415	441	444	484	526	551	600	630	712
Vested assets	2,580	12,477	12,504	34,646	15,193	15,351	16,369	16,650	16,738	17,545	17,489
Finance revenue	310	260	265	271	277	283	289	296	303	310	318
Subsidies and grants	10,029	8,942	7,971	8,100	10,106	10,964	9,448	9,457	7,743	7,905	8,185
Other revenue	342	395	404	412	421	429	439	450	461	471	483
Total Operating Income	83,499	103,526	105,993	136,116	123,705	127,846	131,309	133,906	136,436	140,312	143,470
OPERATING EXPENDITURE											
Employee benefit expenses	19,658	22,211	22,778	23,451	24,178	24,911	25,493	26,262	27,057	27,866	28,701
Depreciation & amortisation	21,530	21,892	23,535	25,176	26,760	28,336	30,119	31,321	32,743	34,149	35,339
Other expenses	29,383	35,913	34,981	36,746	36,532	39,206	40,137	39,818	41,370	42,489	43,523
Finance costs	934	917	2,299	4,081	5,753	8,105	8,926	9,362	10,759	10,680	10,193
Total Operating Expenditure	71,505	80,933	83,593	89,454	93,223	100,558	104,675	106,763	111,929	115,184	117,756
OPERATING SURPLUS	11,994	22,593	22,400	46,662	30,482	27,288	26,634	27,143	24,507	25,128	25,714
Other Comprehensive Income recognised directly in Equity											
Property Plant and Equipment											
Revaluation gains/(losses) taken to equity	22,900	12,736	47,234	20,819	36,568	49,100	42,770	33,426	75,202	39,613	59,460
Cash flow hedges	107	250	219	206	192	182	45	-	-	-	-
Total Other Comprehensive Income for the year	23,007	12,986	47,453	21,025	36,760	49,282	42,815	33,426	75,202	39,613	59,460
Total Comprehensive Income for the year	35,001	35,579	69,853	67,687	67,243	76,570	69,449	60,569	99,709	64,741	85,174

Table 3: Prospective statement in changes in equity

	2017/18 Forecast $000	2017/18 Annual Plan $000	2018/19 Budget $000	2019/20 Budget $000	2020/21 Budget $000	2021/22 Budget $000	2022/23 Budget $000	2023/24 Budget $000	2024/25 Budget $000	2025/26 Budget $000	2026/27 Budget $000	2027/28 Budget $000
Balance at 1 July	1,530,525	1,377,058	1,564,112	1,599,686	1,669,539	1,737,226	1,804,469	1,881,039	1,950,488	2,011,057	2,110,766	2,175,507
Total comprehensive income previously reported	33,587	35,001	35,579	69,853	67,687	67,243	76,570	69,449	60,569	99,709	64,741	85,174
Balance at 30 June	1,564,112	1,412,059	1,599,691	1,669,539	1,737,226	1,804,469	1,881,039	1,950,488	2,011,057	2,110,766	2,175,507	2,260,681
Equity represented by												
Retained earnings	443,016	435,900	466,445	491,992	539,114	568,531	593,607	617,584	645,165	667,489	688,085	707,986
Other reserves	1,121,091	976,159	1,133,241	1,177,546	1,198,111	1,235,937	1,287,431	1,332,903	1,365,891	1,443,276	1,487,421	1,552,694
Total Equity	1,564,107	1,412,059	1,599,686	1,669,538	1,737,225	1,804,468	1,881,038	1,950,487	2,011,056	2,110,765	2,175,506	2,260,680

Table 4: Prospective statement of financial position

	2017/18 Annual Plan $000	2017/18 Forecast $000	2018/19 Budget $000	2019/20 Budget $000	2020/21 Budget $000	2021/22 Budget $000	2022/23 Budget $000	2023/24 Budget $000	2024/25 Budget $000	2025/26 Budget $000	2026/27 Budget $000	2027/28 Budget $000
ASSETS												
Current Assets												
Cash and cash equivalents	1,849	2,625	1,124	1,131	1,879	2,024	2,005	1,784	1,399	1,035	1,292	1,277
Trade and other receivables	2,087	3,262	3,327	3,400	3,475	3,552	3,634	3,721	3,810	3,905	4,007	4,115
Other financial assets	-	112	112	112	112	112	112	112	112	112	112	112
Total Current Assets	3,936	5,999	4,563	4,643	5,466	5,688	5,751	5,617	5,321	5,052	5,411	5,504
Non Current Assets												
Property plant and equipment	1,434,614	1,556,722	1,631,437	1,751,941	1,842,293	1,952,630	2,039,747	2,104,041	2,178,035	2,266,725	2,318,307	2,398,524
Intangible Assets	1,427	1,399	1,539	1,545	1,653	1,653	1,653	1,660	1,778	1,778	1,778	1,778
Forestry Assets	1,623	1,836	1,424	1,455	1,487	1,520	1,555	1,591	1,629	1,670	1,713	1,759
Other financial assets	2,997	13,278	13,278	13,278	13,278	13,278	13,278	13,278	13,278	13,278	13,278	13,278
Investment Properties	12,814	19,395	19,725	19,226	19,161	18,881	19,330	19,820	20,333	20,893	21,480	22,146
		-	-	-	-	-	-	-	-	-	-	-
Total Non Current Assets	1,453,475	1,592,630	1,667,403	1,787,445	1,877,872	1,987,962	2,075,563	2,140,390	2,215,053	2,304,344	2,356,556	2,437,485
Total Assets	1,457,411	1,598,629	1,671,966	1,792,088	1,883,338	1,993,650	2,081,314	2,146,007	2,220,374	2,309,396	2,361,967	2,442,989
LIABILITIES												
Current Liabilities												
Trade and other payables	15,072	11,537	11,768	12,027	12,292	12,562	12,851	13,159	13,475	13,812	14,171	14,554
Provisions	32	20	40	38	37	40	42	39	42	44	46	49
Employee benefit liabilities	1,138	1,201	1,237	1,274	1,312	1,351	1,392	1,434	1,477	1,521	1,567	1,614
Borrowings	6,000	6,000	-	-	7,000	13,000	33,000	40,500	38,000	50,000	24,000	-
Total Current Liabilities	22,242	18,758	13,045	13,339	20,641	26,953	47,285	55,132	52,994	65,377	39,784	16,217
Non Current Liabilities												
Derivative financial instruments	1,419	1,095	845	626	420	228	46	-	-	-	-	-
Provisions	691	669	640	597	552	501	445	388	324	254	177	92
Deferred Revenue	-	-	4,750	14,488	-	-	-	-	-	-	-	-
Borrowings	21,000	14,000	53,000	93,500	124,500	161,500	152,500	140,000	156,000	133,000	146,500	166,000
Total Non Current Liabilities	23,110	15,764	59,235	109,211	125,472	162,229	152,991	140,388	156,324	133,254	146,677	166,092
Total Liabilities	45,352	34,522	72,280	122,550	146,113	189,182	200,276	195,520	209,318	198,631	186,461	182,309
EQUITY												
Retained Earnings	435,900	443,016	466,445	491,992	539,114	568,531	593,607	617,584	645,165	667,489	688,085	707,986
Other reserves	976,159	1,121,091	1,133,241	1,177,546	1,198,111	1,235,937	1,287,431	1,332,903	1,365,891	1,443,276	1,487,421	1,552,694
Total Equity	1,412,059	1,564,107	1,599,686	1,669,538	1,737,225	1,804,468	1,881,038	1,950,487	2,011,056	2,110,765	2,175,506	2,260,680

Table 5: Prospective statement of cash flow

	2017/18 Forecast $000	2017/18 Annual Plan $000	2018/19 Budget $000	2019/20 Budget $000	2020/21 Budget $000	2021/22 Budget $000	2022/23 Budget $000	2023/24 Budget $000	2024/25 Budget $000	2025/26 Budget $000	2026/27 Budget $000	2027/28 Budget $000
Cash Flows from Operating Activities												
Receipts from rates revenue	53,384	50,106	59,023	62,391	65,401	67,417	71,499	75,046	77,530	81,166	84,952	88,489
Interest received	947	310	260	265	271	277	283	289	296	303	310	318
Receipts from other revenue	27,162	29,925	36,093	40,082	40,264	40,298	40,148	38,992	38,789	37,533	36,772	36,354
Payments to suppliers and employees	(50,468)	(48,630)	(54,698)	(55,380)	(57,903)	(58,603)	(61,582)	(63,028)	(63,412)	(65,687)	(67,538)	(69,324)
Interest Paid	(682)	(934)	(917)	(2,299)	(4,081)	(5,753)	(8,105)	(8,926)	(9,362)	(10,759)	(10,680)	(10,193)
Net Cash Flow from Operating Activities	**30,343**	**30,777**	**39,761**	**45,059**	**43,952**	**43,636**	**42,243**	**42,373**	**43,841**	**42,556**	**43,816**	**45,644**
Cash Flows from Investing Activities												
Proceeds from sale of property, plant and equipment	1,800	1,800	995	816	-	319	-	-	-	-	-	-
Proceeds from sale of investment property	4,387	4,387	-	1,179	599	2,126	342	-	404	-	-	-
Purchase of intangible assets	(436)	(292)	(140)	(6)	(108)	-	-	(7)	(118)	-	-	-
Purchase of property, plant and equipment	(49,417)	(48,716)	(74,467)	(87,276)	(81,695)	(88,936)	(53,604)	(37,587)	(58,012)	(31,920)	(31,059)	(41,159)
Purchase & Development of investment property	(2,185)	(2,103)	(650)	(265)	-	-	-	-	-	-	-	-
Net Cash Flow from Investing Activities	**(45,851)**	**(44,924)**	**(74,262)**	**(85,552)**	**(81,204)**	**(86,491)**	**(53,262)**	**(37,594)**	**(57,726)**	**(31,920)**	**(31,059)**	**(41,159)**
Cash Flows from Financing Activities												
Proceeds from borrowings	7,000	21,000	33,000	40,500	38,000	43,000	11,000	-	13,500	-	-	-
Repayment of borrowings	-	(7,000)	-	-	-	-	-	(5,000)	-	(11,000)	(12,500)	(4,500)
Net Cash Flow from Financing Activities	**7,000**	**14,000**	**33,000**	**40,500**	**38,000**	**43,000**	**11,000**	**(5,000)**	**13,500**	**(11,000)**	**(12,500)**	**(4,500)**
Net (decrease)/increase in cash and cash equivalents	(8,508)	(147)	(1,501)	7	748	145	(19)	(221)	(385)	(364)	257	(15)
Cash and cash equivalents at the beginning of the year	11,133	1,996	2,625	1,124	1,131	1,879	2,024	2,005	1,784	1,399	1,035	1,292
Cash & cash equivalents at the end of the year	**2,625**	**1,849**	**1,124**	**1,131**	**1,879**	**2,024**	**2,005**	**1,784**	**1,399**	**1,035**	**1,292**	**1,277**

Table 6: Statement of borrowing

	2017/18 Annual Plan $000	2018/19 Budget $000	2019/20 Budget $000	2020/21 Budget $000	2021/22 Budget $000	2022/23 Budget $000	2023/24 Budget $000	2024/25 Budget $000	2025/26 Budget $000	2026/27 Budget $000	2027/28 Budget $000
Movements in Borrowings											
Opening Balance	13,000	20,000	53,000	93,500	131,500	174,500	185,500	180,500	194,000	183,000	170,500
Net Loans Raised/(Repaid)	14,000	33,000	40,500	38,000	43,000	11,000	(5,000)	13,500	(11,000)	(12,500)	(4,500)
Closing Balance	27,000	53,000	93,500	131,500	174,500	185,500	180,500	194,000	183,000	170,500	166,000
Current Portion of External Debt	6,000	-	-	7,000	13,000	33,000	40,500	38,000	50,000	24,000	-
Term Portion of External Debt	21,000	53,000	93,500	124,500	161,500	152,500	140,000	156,000	133,000	146,500	166,000
	27,000	53,000	93,500	131,500	174,500	185,500	180,500	194,000	183,000	170,500	166,000

The above represents the level of external borrowing but this could fluctuate depending on future use of reserves.

Table 7: Capital expenditure programme

	2017/18 Annual Plan $000	2018/19 Budget $000	2019/20 Budget $000	2020/21 Budget $000	2021/22 Budget $000	2022/23 Budget $000	2023/24 Budget $000	2024/25 Budget $000	2025/26 Budget $000	2026/27 Budget $000	2027/28 Budget $000
Governance	27	-	-	-	-	-	-	-	-	-	-
Community Services and Facilities	15,152	21,912	10,144	8,915	14,625	11,931	8,124	3,726	3,556	2,257	8,287
Roads and Footpaths	12,772	16,739	21,028	25,464	20,657	23,364	25,500	31,085	22,247	22,704	27,682
Stormwater	2,672	10,025	12,442	21,825	31,902	14,653	5,499	20,997	5,191	10,294	5,435
Wastewater Treatment and Disposal	14,733	15,794	12,029	32,066	11,724	8,777	8,724	9,295	10,457	6,532	11,192
Water Treatment and Supply	7,253	15,247	32,597	20,920	22,667	8,310	5,327	8,758	6,502	6,165	5,273
Support Services	2,070	2,837	2,118	2,320	2,599	1,974	848	981	772	727	861
TOTAL CAPITAL EXPENDITURE	**54,679**	**82,554**	**90,358**	**111,510**	**104,174**	**69,009**	**54,022**	**74,842**	**48,725**	**48,679**	**58,730**

Note: Refer to the group of activity section in this 10-Year Plan which outlines the individual projects in detail.

Table 8: Council reserve funds, movements and balances

	2017/18 Budget $000	2017/18 Forecast $000	2018-28 Transfer to Reserve $000	2018-28 Transfer From Reserve $000	2027-28 Closing Balance $000
Council created reserves consist of:					
Property Reserves					
Asset Sales Cambridge	1,931	1,631	3,976	(2,200)	3,407
Asset Sales Te Awamutu	-	228	3,734	(2,697)	1,265
Asset Sales General	228	440	131	(329)	242
Endowment Land Cambridge	452	4,643	1,610	(2,765)	3,488
Endowment Land Pirongia	4,712	18	12	-	30
Endowment Land Te Awamutu	19	114	78	-	192
Endowment Land Waipa District	99	12	9	-	21
Forestry Reserve	14	-	2,439	(2,439)	-
Residential Housing Reserve	453	2,386	13,883	(15,660)	609
Reserve Contributions & Development Contributions					
Cambridge North	1,310	1,694	4,300	(3,157)	2,837
District Wide Stormwater	273	260	97,280	(97,322)	218
District Wide Waste Water	330	1,555	41,025	(39,402)	3,178
District Wide Water Treatment and Supply	609	640	37,245	(37,213)	672
District Wide Roading	1,013	758	31,531	(32,289)	-
District Wide Reserve Developments	255	339	782	(544)	577
District Wide Land Purchase	427	870	8,192	(8,894)	168
Te Awamutu Library/Museum	130	61	90	-	151
Special Funds					
Cemetery Paterangi	4	4	3	-	7
Project Funding Reserve	1,864	3,087	1,180	(1,840)	2,427
General Insurance Reserve	247	300	207	-	507
Infrastructure Insurance Reserve	497	498	342	-	840
Te Awamutu 110kv Compensation Reserve	348	313	215	-	528
Pavement Levies	17	25	17	-	42
Road Asset Technical Accord (RATA)	-	176	121	-	297
Waste Minimisation	-	504	2,113	(2,522)	95
Separate Balances					
Roading Reserve	1,520	1,972	354,185	(355,885)	272
Stormwater Reserve	1,082	1,535	171,686	(161,595)	11,626
Water Supply Reserve	1,608	2,253	222,139	(224,392)	-
Waste Water Reserve	3,748	7,055	204,553	(211,585)	23
Depreciation Reserve - Long Term Assets	712	445	19,786	(6,502)	13,729
Depreciation Reserve - Medium Term Assets	1,483	1,929	17,794	(16,750)	2,973
Asset Revaluation Reserves					
Asset revaluation reserves consist of:					
Operational assets					
Land	101,063	199,372	44,332	-	243,704
Buildings	21,808	22,766	18,062	-	40,828
Intangible	291	281	-	-	281
Investments	-	10,409	-	-	10,409
Infrastructural Assets					
Sewerage System	52,328	52,941	48,109	-	101,050
Water System	62,898	67,726	49,830	-	117,556
Drainage network	39,437	38,027	36,438	-	74,465
Roading network	672,949	693,824	220,156	-	913,980
Total	**976,159**	**1,121,091**	**1,657,585**	**(1,225,982)**	**1,552,694**

Council reserves

The tables below set out the purpose of the reserves held by Council and the related activities for these reserves.

Table 9: Council reserves - Property

Reserve	Purpose	Activity
Asset sales: Cambridge	Proceeds from Cambridge asset sales held in reserve to fund future asset purchases	Property services
Asset sales: Te Awamutu	Proceeds from Te Awamutu asset sales held in reserve to fund future asset purchases	Property services
Asset sales: general	Proceeds from district-wide asset sales held in reserve to fund future asset purchases	Property services
Endowment land: Cambridge	Proceeds from sale of Cambridge endowment land held in reserve for endowment purposes	Property services
Endowment land: Pirongia	Proceeds from sale of Pirongia endowment land held in reserve for endowment purposes	Property services
Endowment land: Te Awamutu	Proceeds from sale of Te Awamutu endowment land held in reserve for endowment purposes	Property services
Endowment land: Waipa district	Proceeds from sale of district-wide endowment land held in reserve for endowment purposes	Property services
Forestry reserve	Proceeds from forestry harvesting to fund future forestry activities	Forestry
Residential housing reserve	Proceeds from residential housing rental revenue to fund the operating and capital expenditure of that activity	Pensioner Housing and Own Your Own Housing

Table 10: Council reserves – Reserve contributions and development contributions

Reserve	Purpose	Activity
Cambridge North	Proceeds from development contributions to fund growth related expenditure	Roads & footpaths / stormwater / wastewater treatment & disposal/water treatment & supply
District-wide stormwater	Proceeds from development contributions to fund growth related expenditure	Stormwater
District-wide wastewater	Proceeds from development contributions to fund growth related expenditure	Wastewater treatment & disposal
District-wide water treatment & supply	Proceeds from development contributions to fund growth related expenditure	Water treatment & supply
District-wide roading	Proceeds from development contributions to fund growth related expenditure	Roads & footpaths
District-wide reserve developments	Proceeds from development contributions to fund growth related expenditure	Parks & reserves
District-wide land purchase	Proceeds from development contributions to fund growth related expenditure	Parks & reserves
Te Awamutu library / museum	Proceeds from development contributions to fund growth related expenditure for Te Awamutu library / museum	District libraries/museums

Table 11: Council reserves – Special funds

Reserve	Purpose	Activity
Cemetery: Paterangi	Proceeds held in reserve to fund future capital works	Cemeteries
Project funding reserve	Funding for specific projects to be completed in the following year	All activities
General insurance reserve	Provision to pay call-ups and to fund increase in deductibles of claims as well as to help to pay future premium increases	All activities
Infrastructure insurance reserve	Provision to help cover the insurance deductible if a major event happens in the Waipa District	Stormwater / wastewater treatment and disposal / water treatment & supply
Te Awamutu 100kv compensation reserve	Proceeds from the granting of easement rights for the Waipa Networks 110kv line, held in reserve for appropriate future utilisation with due regard to the source of these funds	Properties
Pavement levies	Levies collected from land use consents for future pavement rehabilitation	Roads and footpaths
Road Asset Technical Accord (RATA)	Funds held in reserve for future works	Roads and footpaths

Table 12: Council reserves – Separate balances

Reserve	Purpose	Activity
Roading reserve	Funds held in reserve for capital works expenditure	Roads & footpaths
Stormwater reserve	Funds held in reserve for capital works expenditure	Stormwater
Water supply reserve	Funds held in reserve for capital works expenditure	Water treatment & supply
Wastewater reserve	Funds held in reserve for operating and capital works expenditure	Wastewater treatment & disposal
Depreciation reserve long term assets	Funds held in reserve for capital works expenditure	Community services & facilities
Depreciation reserve medium term assets	Funds held in reserve for capital works expenditure	Community services & facilities

Table 13: Council reserves – Asset revaluation

Reserve	Purpose	Activity
Operational		
Land	Non cash reserve to record appreciation values arising from asset revaluations	Community services & facilities
Buildings	Non cash reserve to record appreciation values arising from asset revaluations	Community services & facilities
Infrastructural assets		
Sewerage system	Non cash reserve to record appreciation values arising from asset revaluations	Wastewater treatment & disposal
Water system	Non cash reserve to record appreciation values arising from asset revaluations	Water treatment & supply
Drainage network	Non cash reserve to record appreciation values arising from asset revaluations	Stormwater
Roading network	Non cash reserve to record appreciation values arising from asset revaluations	Roads & footpaths

2018 budget and 2018 forecast

The table below shows the 2017/18 Annual Plan budget compared to the 2017/18 Forecast as at 31 October 2017 . The 2017/18 forecast column represents the best starting point for year one of the 10-Year Plan and reflects updated budget information as at 31 October 2017.

Table 14: 2018 budget and 2018 forecast

	2017/18 Budget $000's	2017/18 Forecast $000's
Statement of Comprehensive Income		
Operating Income	83,499	83,848
Operating Expenditure	71,505	73,267
Operating Surplus	11,994	10,581
Statement of Movements in Equity		
Public Equity at the start of the year	1,377,058	1,530,525
Net surplus/(deficit) for the year	11,994	10,581
Property, Plant and Equipment Revaluation gains (losses) taken to equity	22,900	22,900
Cashflow hedges	107	101
Total Recognised Income and Expenses	35,001	33,582
Total Equity at End of The Year	1,412,059	1,564,107
Statement of Financial Position as at year end		
Current Assets	3,936	5,999
Non Current Assets	1,453,475	1,592,630
Total Assets	1,457,411	1,598,629
Current Liabilities	22,242	18,758
Non Current Liabilities	23,110	15,764
Total Liabilities	45,352	34,522
Equity and Net Assets	1,412,059	1,564,107
Statement of Cashflows		
Net from Operating Activities	30,777	30,343
Net from Investing Activities	(44,924)	(45,851)
Net from Financing Activities	14,000	7,000
Net Increase/(Decrease) in Cash and Cash Equivalents	(147)	(8,508)
Cash and Cash Equivalents at the beginning of the year	1,996	11,133
Cash and Cash Equivalents at the end of the year	1,849	2,625